

Borough of Highlands Affordable Housing Trust Fund Fourth Round Spending Plan

Adopted by the Borough Council on June 12, 2025

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Borough of Highlands
Monmouth County, New Jersey

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The original of this report was signed and
sealed in accordance with N.J.S.A. 45:14A-12

A handwritten signature in black ink, appearing to read 'Susan S. Gruel', is written over a horizontal line.

Susan S. Gruel, P.P. #1955

With contributing content by Megan Adam, AICP Candidate

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INTRODUCTION

On October 16, 2019, the Borough of Highlands adopted its first development fee ordinance (Ordinance No. O-19-17), which established the Borough's Affordable Housing Trust Fund. All development fees, payments in lieu of constructing affordable units on site, funds from the sale of units with extinguished controls, barrier free escrow funds, rental income from Borough-owned affordable housing units, repayments from affordable housing program loans, and any other funds collected by the municipality in connection with its affordable housing program are deposited into this separate Affordable Housing Trust Fund for the purposes of affordable housing. Since adopting its development fee ordinance, the Borough has actively been collecting and utilizing monies from its Affordable Housing Trust Fund in accordance with applicable rules and regulations.

Most recently, the Borough prepared an updated Affordable Housing ordinance which incorporates the development fee provisions. It is anticipated to be adopted by March 15, 2026. This amended ordinance establishes standards for the collection, maintenance, and expenditure of development fees consistent with the Fair Housing Act (P.L.2024, c.2), N.J.A.C. 5:99, and N.J.S.A. 52:27D-329 as most recently amended.

As of January 23, 2026, the Borough had collected a total of \$100,263.00 in development fees, interest, and other income over the lifetime of its trust fund. The Borough has spent a total of \$0 during that time, leaving a balance of \$100,263.00. These funds shall be spent in accordance with N.J.A.C. 5:99 and other applicable regulations, as described in the sections that follow.

1. REVENUES FOR CERTIFICATION PERIOD

METHODOLOGY

To calculate a projection of revenue anticipated during the period of the Fourth Round, the Borough of Highlands considered the following:

(a) Projected Development Fees

1. Residential and nonresidential projects which have had development fees imposed upon them at the time of preliminary or final development approvals;
2. All projects currently before the Land Use Board for development approvals that may apply for building permits and certificates of occupancy; and
3. Future development that is likely to occur based on historical rates of development.

(c) Projected Interest

1. Interest on the projected revenue in the municipal Affordable Housing Trust Fund at the current average interest rate. All interest earned on the account shall accrue to the account to be used only for the purposes of affordable housing.

PROJECTED REVENUES CHART

To calculate the projection of revenue anticipated from the general development fees, previous transactions within the Affordable Housing Trust Fund dating back to 2015 were reviewed. All interest earned on the account shall accrue to the account to be used only for the purposes of affordable housing. Projected revenues through 2035 are outlined in Table 1 below.

TABLE 1: PROJECTED REVENUES				
Year	Source of Funds			
	Historical Balance (as of 1/23/2026)	Projected Development Fees	(Projected Interest	Total
Current Balance	\$100,263.00	--	--	\$100,263.00
2026	--	\$58,000.00	\$261.00	\$58,261.00
2027	--	\$58,000.00	\$261.00	\$58,261.00
2028	--	\$58,000.00	\$261.00	\$58,261.00
2029	--	\$58,000.00	\$261.00	\$58,261.00
2030	--	\$58,000.00	\$261.00	\$58,261.00
2031	--	\$58,000.00	\$261.00	\$58,261.00
2032	--	\$58,000.00	\$261.00	\$58,261.00
2033	--	\$58,000.00	\$261.00	\$58,261.00
2034	--	\$58,000.00	\$261.00	\$58,261.00
2035	--	\$29,000.00	\$130.50	\$29,130.50
TOTAL	\$100,263.00	\$551,000.00	\$2,479.50	\$653,742.50

The Borough projects that a total of \$551,000.00 in development fees and other revenue will be collected between March 15, 2026, and June 30, 2035. An additional \$2,479.50 in interest is projected to be earned. In conjunction with the existing Affordable Housing Trust Fund balance of \$100,263.00, the Borough projects total Affordable Housing Trust Fund revenues and interest of \$653,742.50 through June 30, 2035.

2. ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS

The following procedural sequence for the collection and distribution of development fee revenues shall be followed by the Borough of Highlands:

COLLECTION OF DEVELOPMENT REE REVENUES

Collection of development fee revenues shall be consistent with the Borough’s Affordable Housing Ordinance for both residential and non-residential developments and in accordance with the Statewide Nonresidential Development Fee Act, N.J.S.A. 40:55D8.1 through 8.7 (“SNDFA”).

DISTRIBUTION OF DEVELOPMENT FEE REVENUES

The Municipal Housing Liaison will manage the projects outlined in this Spending Plan and the Housing Element and Fair Share Plan and will coordinate with the Borough’s CFO/Deputy CFO for the distribution of the funds.

COLLECTION AND DISTRIBUTION OF BARRIER FREE FUNDS

N.J.A.C. 5:99-2.6 establishes that an Affordable Housing Trust Fund may include fees collected to adapt affordable unit entrances to be accessible in accordance with the Fair Housing Act (P.L.2024, c.2) and the

Barrier Free Subcode (N.J.A.C. 5:23-7). Municipalities choosing to collect funds for this purpose must ensure that the funds remain identifiable from other funds. Collection and distribution of barrier free funds, as applicable, shall be consistent in accordance with the appropriate regulations.

3. DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

METHODOLOGY

The following represent the anticipated affordable housing projects within the Borough of Highlands that will utilize Trust Fund monies.

(a) Affordability Assistance (N.J.A.C. 5:99-2.5)

As per the requirements regarding the use of funds for affordability assistance laid out in N.J.A.C. 5:99-2.5, municipalities are required to dedicate a portion of all development fees collected and interest earned to provide affordability assistance to very-low-, low-, and moderate-income households in affordable units included in the municipality's Fair Share Plan pursuant to N.J.S.A. 52:27D-329.1.

N.J.S.A. 52:27D-329.2 specifies that affordability assistance programs may include down payment assistance, security deposit assistance, low-interest loans, common maintenance expenses for units located in condominiums, rental assistance, and any other program authorized by the department. Further, N.J.A.C. 5:99-2.5 stipulates that affordability assistance offered specifically to very-low-income households may include the following:

1. Offering a subsidy to developers of inclusionary or 100% affordable housing developments; or
2. Buying down the cost of low- or moderate-income units in a municipal fair share plan to make them affordable to very-low-income households, including special needs and supportive housing opportunities.

To project the funding amount that is dedicated to affordability assistance, all actual expenditures spent on new construction activities as well as any rehabilitation activities from the inception of the fund are subtracted from the sum of the actual and projected development fees and interest throughout the lifetime of the Trust Fund. From the actual affordability assistance expenditures from the inception of the fund is then subtracted the dollar amount for the 20% administrative cap. This final outcome is the total remaining funds that will be dedicated to affordability assistance for the period moving forward.

Highlands Borough has collected \$100,263.00 in development fees and interest through January 23, 2026. The Borough projects an additional \$551,000.00 in development fees and \$2,479.50 in interest through 2035. To date, the Borough has expended \$0 from the Affordable Housing Trust Fund for affordability assistance.

TABLE 2: AFFORDABILITY ASSISTANCE		
Actual development fees and interest earned through January 23, 2026		\$100,263.00
Projected Development fees 2026-2035	+	\$551,000.00
Projected Trust Fund Interest 2026-2035	+	\$2,479.50
Less Housing Activity through January 23, 2026 (including new construction and rehabilitation)	-	\$0.00
Total	=	\$653,742.50
Less Affordability Assistance Expenditures through January 23, 2026	-	\$0.00
Projected Allowed Administrative Expenditures	-	\$130,748.50
Projected Affordability Assistance through 06/30/2035	=	\$522,994.00

The Township will reserve \$522,994.00 from the Affordable Housing Trust Fund to render units more affordable for very-low, low-, and moderate-income households. These funds will be utilized for the affordability assistance purposes as enumerated in the Borough's Affordability Assistance Program, as most recently amended (Appendix A).

- For-sale units in the form of down-payment assistance, homeowner assistance loans for Condominium or Homeowner Association fees, and homeowner assistance loans for mortgage payments up to two months or less in arrears to forestall foreclosure (Appendix A).
- For-rent units in the form of security deposit assistance and rental assistance, which are enhanced for very low-income households (Appendix A).

(b) Administrative Expenses (N.J.A.C. 5:99-2.4)

N.J.A.C. 5:99-2.4 sets forth that no more than 20% of revenues collected from development fees, exclusive of those collected prior to July 17, 2008 to fund an RCA, shall be expended on administration. These funds may apply to costs including, but not limited to:

1. Those reasonably related to the determination of the fair share obligation or development of a municipal Housing Element/Fair Share Plan;
2. Fees necessary to develop or implement affordable housing programs or an affirmative marketing program;
3. Expenses reasonably necessary for compliance with the processes of the Program;
4. Costs associated with functions carried out in compliance with UHAC, including those related to the marketing program and waitlist management, administering the placement of occupants in housing units, income qualification of households, monitoring the turnover of sale and rental units,

preserving existing affordable housing, and compliance with the Division’s monitoring requirements; and

5. The proportion of a municipal employee’s salary related to the Municipal Housing Liaison or Regional Contribution Agreement administrator functions and fees for required educational programs.

The calculation of allowable administrative expenses is performed by considering the lifetime of the Trust Fund. To project the funding amount that will be available for administrative costs, the sum of all development fees actually collected and all interest earned since the inception of the account is added to the sum of all projected development fees and interest projected to be collected throughout the Fourth Round. From this amount, any Regional Contribution Agreement (RCA) expenditures made or contractually obligated from the inception of the account are subtracted. This final amount is multiplied by 20% and then any actual administrative expenditures made since the inception of the Trust Fund are subtracted out. The final outcome of this calculation, as depicted in the following table, equates to the total remaining funds that will be available for administrative expenses through the end of the Fourth Round.

The Borough collected \$100,263.00 in development fees and interest through January 23, 2026. The Borough projects an additional \$551,000.00 in development fees and \$2,479.50 in interest through 2035. The Borough has never taken part in an RCA. Highlands Borough has spent \$0.00 on administrative expenses between the inception of the Trust Fund and January 23, 2026.

TABLE 3: ADMINISTRATIVE EXPENSES		
Actual development fees collected and interest earned through January 23, 2026		\$100,263.00
Projected Development fees 2026-2035	+	\$551,000.00
Projected Trust Fund Interest 2026-2035	+	\$2,479.50
RCA Contributions	-	\$0
Total	=	\$653,742.50
20% Maximum Permitted on Administrative Expenses through 6/30/2035	x 0.20 =	\$130,748.50
Less Administrative Expenditures through January 23, 2026	-	\$0.00
Projected Allowed Administrative Expenditures	=	\$130,748.50

As of January 23, 2026, the Borough has spent \$0.00 on administrative expenses. Therefore, moving forward the Borough projects that a maximum of \$130,748.50 is available from the Affordable Housing Trust Fund for administrative expenses for the Fourth Round. Because the actual administrative expense maximum is calculated on an ongoing basis based on actual revenues, the Borough shall be permitted to spend 20% of the actual balance of the Affordable Housing Trust Fund at any given time on administrative fees. As additional income is collected, money becomes available for administrative expenses. Projected administrative expenditures, subject to the 20% cap, include but are not limited to:

- Administration and expenses associated with the Borough’s affordable housing units;
- Expenses associated with the preparation and implementation of the Housing Element and Fair Share Plan and monitoring of the current and future housing programs for the Borough of Highlands;
- Affirmative marketing; and
- Rehabilitation program

EXPENDITURE SCHEDULE

TABLE 4: PROJECTED EXPENDITURE SCHEDULE THROUGH 2035			
Year	Program		
	(a) Affordability Assistance	(b) Administration	Total
2026	\$29,055.22	\$7,263.81	\$36,319.03
2027	\$58,110.44	\$14,527.61	\$72,638.06
2028	\$58,110.44	\$14,527.61	\$72,638.06
2029	\$58,110.44	\$14,527.61	\$72,638.06
2030	\$58,110.44	\$14,527.61	\$72,638.06
2031	\$58,110.44	\$14,527.61	\$72,638.06
2032	\$58,110.44	\$14,527.61	\$72,638.06
2033	\$58,110.44	\$14,527.61	\$72,638.06
2034	\$58,110.44	\$14,527.61	\$72,638.06
2035	\$29,055.22	\$7,263.81	\$36,319.03
TOTAL	\$522,994.00	\$130,748.50	\$653,742.50

4. EXCESS OF FUNDS

In the event that more funds than anticipated are collected or projected funds exceed the amount necessary to implement the Borough’s affordable housing projects, these excess funds will be used to fund eligible affordable housing activity pursuant to applicable rules and regulations.

5. SUMMARY

As of January 23, 2026, the Borough’s Trust Fund had a balance of \$100,263.00. Highlands Borough anticipates an additional \$553,479.50 in revenues and interest by June 30, 2025, resulting in a projected balance of \$653,742.50 for the Fourth Round. The Borough will commit \$130,748.50 for administrative expenses, and the remaining \$522,994.00 for affordability assistance efforts.

TABLE 5: SPENDING PLAN SUMMARY	
Balance as of January 23, 2026	\$100,263.00
PROJECTED REVENUE THROUGH JUN 30, 2025	
Development fees	+ \$551,000.00
Other funds	+ \$0.00
Interest	+ \$2,479.50
TOTAL REVENUE + CURRENT BALANCE	= \$653,742.50
EXPENDITURES	
Affordability Assistance	- \$522,994.00
Administrative Expenses	- \$130,748.50
Excess Funds for Additional Housing Activity	= \$0.00
TOTAL PROJECTED EXPENDITURES	= \$653,742.50
REMAINING BALANCE	= \$0.00

Appendix A

Highlands Borough Affordability Assistance Program

BOROUGH OF HIGHLANDS
FOR-SALE UNIT AFFORDABILITY ASSISTANCE PROGRAM
AND RENTAL UNIT AFFORDABILITY ASSISTANCE PROGRAM

MARCH 2026

FOR-SALE UNIT AFFORDABILITY ASSISTANCE PROGRAM

Down Payment Loan Program

The Borough will offer a Down Payment Assistance Loan program to qualified purchasers of households earning 80% or less of median income of the housing region. To be eligible for the loan, the qualified Buyer must be able to supply 3% of the down payment with the Buyer's own funds, plus additional closing costs that exceed the amount of the loan. No gifts or other loans may be used to fund the 3% down payment amount but may be used to fund additional closing costs. The loan amount may be made up to ten percent (10%) of the purchase price.

The Borough must approve the Buyer's qualifications and need for the loan. The loan has no prepayment penalty. It is due and payable when the Buyer resells, borrows against the property or refinances the First Purchase Money Mortgage. The loan may be subordinated only to the First Purchase Money Mortgage. When calculating the borrowing capacity of the homeowner and the equity in the property, this loan must be included. The Buyer must sign a mortgage and mortgage note to the Borough.

Payment of Closing Costs

Eligible Buyers may receive payment of closing costs, i.e., title work and policy, reasonable attorney's fees for closing of title, preparation of survey, homeowner's insurance, recording fees, and other necessary closing expenses to third parties, not to exceed one thousand five hundred dollars (\$1,500) per unit. This assistance shall be in the form of a grant. Total buyer assistance grants, which include Payment of Closing Costs and Payment of Lender Fees, shall not exceed three thousand dollars (\$3,000) per unit. Utility deposits, i.e., gas and electric, paid to utility companies are to be returned to the Borough Affordable Housing Trust Fund upon resale of the unit. The buyer will execute documents required to secure payment to Highlands.

Payment of Lender Fees

Eligible Buyers may receive payment of lender fees, i.e., mortgage points, application fees, appraisal fees, bank attorney review fees, and necessary mortgage closing expenses, not to exceed one thousand five hundred dollars (\$1,500) per unit. This assistance shall be in the form of a grant. Total buyer assistance

grants, which include Payment of Closing Costs and Payment of Lender Fees, shall not exceed three thousand dollars (\$3000) per unit.

Administration

Borough of Highlands' Affordability Assistance Programs will be managed by the Borough Affordable Housing Administrative Agent. The availability of the program shall be advertised continually on the Borough's website. The following administrative process is applied to the For-Sale Unit Affordability Assistance Program:

1. The Buyer contacts the Administrative Agent to confirm that he/she wants to receive Down Payment Assistance.
2. The Buyer must present proof to the Administrative Agent that he/she is qualified for Affordable Housing in the Borough.
3. Buyer must produce an exact copy of a signed Real Estate Contract for an affordable housing unit in Highlands, which indicates clearly the full amount of the purchase price. Buyer must provide the Administrative Agent with the full name, address, phone number, and fax number of the Buyer's Attorney or Settlement Agent so that the Attorney or Settlement Agent can review and approve any and all documents required for the loan.
4. The Administrative Agent contacts the Realtor or Developer for confirmation of the sale of the unit, and the name of the Attorney handling the sale for the Developer at closing.
5. The amount of the Down Payment Assistance loan is verified (not to exceed ten percent of the Purchase Price) so that a Mortgage Note, Mortgage, and Repayment Agreement can be prepared by the Administrative Agent.
6. The amount of the Down Payment Assistance must be disclosed to the Lender, so that the Lender can accurately prepare the First Mortgage documents. The Buyer must give a copy of the First Mortgage Commitment to the Administrative Agent upon receipt of same, so that the Lender can receive full information about the Down Payment Assistance Loan, which shall constitute a Second Mortgage on the premises. The Lender must approve the secondary financing. The Borough Affordable Housing Attorney will contact the Lender once the Affordable Housing Attorney has a copy of the First Mortgage Commitment.
7. The Highlands Finance Department will generate the necessary forms and obtain Borough Council approval for it to issue an Affordable Housing Trust Fund check payable to the Seller's Attorney or Settlement Agent, so that the Down Payment Assistance check can be deposited into the Seller's Attorney Trust Account or Settlement Agent Trust Account

pending Closing of Title. The letter and check to the Seller's Attorney or Settlement Agent shall state that the deposit money must be returned to the Borough if the closing is canceled, or if the sale is declared null and void. If there is a Closing of Title, the Down Payment Assistance money shall be released to the Seller. This money shall be shown on the Closing Statement as a deposit, with credit given at closing to the Buyer. The Buyer must fully execute the Mortgage Note, Mortgage, and Repayment Agreement at the Closing of Title before any money is released.

8. The Seller's Attorney or Settlement Agent shall verify that the Mortgage Note, Mortgage, and Repayment Agreement have been properly executed, and shall file the original Mortgage with the County Clerk to protect the Borough Second Mortgage on the property and return the Filed Mortgage to Affordable Housing Attorney along with the original Mortgage Note and Repayment Agreement.

RENTAL UNIT AFFORDABILITY ASSISTANCE PROGRAM**Rental Assistance**

The Borough of Highlands may offer a Rental Assistance Program that will be managed by the Administrative Agent. Eligible recipients of the program are renters who qualify for a very-low, low- or moderate-income rental unit. The following assistance is available to very-low, low- and moderate-income households:

1. Payment of "moving expenses" based upon verified receipts, in an amount not to exceed five hundred dollars (\$500) per family.
2. Rent subsidy for the first month's rent.
3. Utility deposit assistance.

The following assistance is available to very low-income households:

1. Payment of "moving expenses" based upon verified receipts, in an amount not to exceed one thousand five hundred dollars (\$1,500) per household.
2. Rental security deposit – Deposits paid to landlord to be returned to the Borough's Affordable Housing Trust Fund upon termination of tenancy.
3. Rent subsidy for the first month's rent.
4. Utility deposit assistance.

Rental assistance does not need to be repaid by the tenant. The amount of the rental supplement will be calculated initially based on the tenant's actual income and the rent level of the affordable units to help bring the total shelter costs down to 30% of the total household income or lower, if warranted by the particular household circumstances. If the tenant wishes to renew the lease, he/she must be re-income qualified and the rental supplement will be recalculated. If the tenant no longer qualifies for the rental assistance, he/she may renew the lease and stay in the unit but will no longer receive rental assistance.

Administration

Highlands Borough's Rental Unit Affordability Assistance Programs will be administered by the Administrative Agent. The availability of the program shall be advertised continually on the Borough's website. After an applicant is income qualified by the Administrative Agent pursuant to the Uniform Housing Affordability Controls, the applicant will complete and provide an affordability assistance application to the Administrative Agent.

For qualified and approved payment of moving expense, the Administrative Agent will follow the Borough purchasing and requisition process for generating a check that is made out to the applicant. Once the check is produced, the Administrative Agent provides it to the applicant.

For qualified and approved payment of utility deposit, the Administrative Agent follows the Borough purchasing and requisition process for generating a check that is made out to the utility company. Once the check is produced, the Administrative Agent provides it to the applicant for payment to the utility company.

The affordability assistance recipient will sign a contract with the Borough of Highlands that states, at a minimum: the amount of funds granted, interest information, procedures, duration and conditions of affordability assistance, and repayment information if required.

The availability of any Affordability Assistance Programs must be noticed to all tenants of affordable units within the Borough and provided to all administrative agents of affordable units within Highlands Borough and advertised on the Borough's website.

An income eligible occupant or applicant for an affordable unit within the Borough may not be denied participation in the Affordability Assistance Program(s) unless funding is no longer available.